DECLASS EXCISE PET 14 LIBYA (E)

Department of State TELEGRAM

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

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ACTION AF-18

INFO OCT-01 EUR-20 NEA-13 CIAE-00 DODE-00 PM-05 H-02
INR-07 L-04 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-20
USIA-12 E-15 COM-08 INT-06 TRSY-11 NIC-01 RSR-01 /159 W
055771

P R 111011Z APR 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6112
INFO AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN

C O N F I D E N T I A L TRIPOLI 710

SUBJECT : POSTED PRICE NEGOTIATIONS

REFERENCE: TRIPOLI 680

(1)

1. ESSO [redacted] HAS DECIDED TO SUBMIT PRICE PROPOSAL TO MINPET MABRUUK APRIL 11. IN INFORMING EMBASSY, ESSO [redacted] APPRISED OTHER PRODUCING COMPANY MANAGERS [redacted] OF COMPANY'S DECISION, AND ESSO NEW YORK CONTACTING OWNERS' HEADQUARTERS. [redacted] ESSO [redacted] WOULD KEEP BOTH GENERALLY INFORMED ABOUT PROGRESS AND TONE OF NEGOTIATIONS.

2. [redacted] ESSO STILL HOLDS, AND WILL EMPHASIZE TO MINISTRY, THAT PRICE INCREASE IS NOT ECONOMICALLY JUSTIFIED. RATIONALE FOR OFFER [redacted] RESTS ON CONCLUDION NEGOTIATIONS HAVE REACHED IMPASSE, WITH MINISTRY INSISTING UPON INCREASE AS MATTER OF EQUITY WITHOUT BEING ABLE TO REBUT

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COMPANIES' COUNTER ARGUMENTS. [redacted] B4 ESSO WILL SEEK QUID PRO QUO FOR PRICE INCREASE, SUCH AS REVISION REGULATION 8 (CONSERVATION REGULATION).

3. WE BELIEVE ANOTHER CONTRIBUTORY OR CONFIRMING FACTOR IN ESSO'S CALCULATION WAS APRIL 8 SPEECH AT BAIDA BY RCC PRESIDENT QADHAAFI ELABORATING LINE HE TOOK WEEK EARLIER AT TOBRUK (TRIPOLI 654). AT BAIDA, QADHAAFI CITED ECONOMIC INDEPENDENCE AS NEXT OBJECTIVE OF REVOLUTION, WHEN POLITICAL FREEDOM COMPLETED BY EVACUATION OF WHEELUS. HE IDENTIFIED OIL COMPANIES AS ALLIES OF IMPERIALISM AND OPPONENTS WITH WHICH PERILOUS BATTLE MUST BE JOINED WHEN LAST FOREIGN TROOPS WITHDRAWN.

4. COMMENT. WHILE QADHAAFI'S STRONG WORDS MAY HAVE BEEN NO MORE THAN A NEGOTIATING TACTIC IN THE POSTED PRICE CONTEXT, WE -- AND THE COMPANIES -- ARE CONCERNED THAT THE RCC HAS LONG-RANGE PLANS WHICH DO NOT INCLUDE OIL CONCESSIONS IN THE PRESENT FORM. /ESSO'S COUNTER-OFFER SHOULD REVEAL MORE ABOUT LARG'S ULTIMATE INTENTIONS. ASSESSMENT FOR DEPARTMENT FOLLOWS: SEPTEL. GP-4.
PALMER

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